



USAID
FROM THE AMERICAN PEOPLE

AFGHANISTAN

Economic Growth

December 2010



Photo: USAID/Amy Koller

USAID helps women entrepreneurs advocate for their needs through business associations like the Afghan Women's Business Federation. These members enjoyed brisk sales at the AWBF Spring Expo.

ECONOMIC GROWTH SNAPSHOT

- Facilitated \$1.5 billion in telecom investment, creating 100,000 jobs
- USAID-funded financial institutions disbursed \$130 million in loans (49 percent of which went to women), and created 26,000 jobs
- Afghan government revenues increased 64 percent to \$1.3 billion from March 2009 to March 2010
- Established six Afghan Central Business Registries; 33,000 businesses registered in the first 28 months

Data as of December 2010

BACKGROUND

Poverty is widespread and deeply entrenched in Afghanistan after decades of war and under-investment. In some provinces, the poverty rate is more than 60 percent. From 2003 to 2007, economic growth was more than 10 percent, but fell with the economic slowdown in 2008 to 3.4 percent. Real GDP growth has since recovered to 20.4 percent during 2009-10. The high poverty rate, poor security, and slow growth rate challenge Afghans to double their efforts to establish an economy that encourages the trade and investment required to generate jobs. USAID's economic growth program assists the Government of the Islamic Republic of Afghanistan (GIRoA) to develop sound economic governance and works with the private sector to stimulate investment and business opportunities. USAID partners with Afghans and GIRoA to attract investment, generate sustainable employment, and expand market linkages.

PROGRAM OVERVIEW

DEVELOPING THE PRIVATE SECTOR

USAID support for building Afghanistan's licit economy focuses on improving private sector productivity and the business environment to attract private sector investment. USAID supported the development of industrial parks in Kabul and Mazar-i Sharif, and provides a wide range of business development services to encourage the establishment and growth of small and medium enterprises including management skills training, market information, and public-private alliance grants. To date, USAID has launched 50 public-private partnerships leveraging more than \$95 million from private sector partners in insurance, natural resource extraction, communications/media, apparel, IT, and food processing.

STRENGTHENING BUSINESS ASSOCIATIONS

USAID support for business associations resulted in establishing Afghan Chamber of Commerce and Industry offices in Kandahar, Mazar-i Sharif, Hirat, Kunduz, and Jalalabad, and building capacity of provincial and local business associations. USAID/ASMED support helped establish 125 business associations (including 27 women-owned) and supported more than 250 associations with grants for equipment, capacity building, and improving member services.

TRADE AND INVESTMENT

USAID helps GIRoA and the private sector maximize regional and global trade linkages and export-oriented business development through assistance in three categories: 1) trade policy liberalization and World Trade Organization (WTO) accession, 2) trade facilitation and customs reform, and 3) public outreach on trade-related issues. USAID helped GIRoA negotiate the Afghanistan-Pakistan Trade and Transit Agreement, advised on the ratification of the South Asia Free Trade Agreement, and supported the successful initiation of the WTO accession process. Implementation of these agreements will involve

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Economic Growth (continued)



Photo: USAID/Afghanistan

Afghan carpets on display at a carpet exhibition in Germany, where the best modern carpet design award was presented to an Afghan supported by USAID.



Photo: USAID/Afghanistan

Hidden in the rugged mountains of the Hindu Kush and the Pamir, Afghan marble and stone is an emerging industry that can boost employment and income while bringing unique treasures to consumers worldwide.

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significant reforms to promote transparency, reduce barriers, and increase customs revenue.

ECONOMIC REFORMS TO ENHANCE COMPETITIVENESS

USAID helps to strengthen institutional capacity, promote transparency, and establish a sustainable financial sector. In the World Bank's 2010 *Doing Business Report*, Afghanistan was the only country in South Asia to improve its ranking. Improvements to the business-enabling environment have resulted in more than \$1.5 billion in telecom investment and created more than 100,000 jobs in the sector since 2003. Looking forward, USAID will focus on growth sectors such as telecom and mining, which have significant investment and employment opportunities.

LAND TITLING

Property rights are a complex issue for all Afghans, but especially for the 3.3 million refugees returning after decades of conflict. USAID helped ensure the clear transfer and documentation of land ownership for 1.5 million Afghan citizens in informal settlements around Kabul, Mazar-i Sharif, Kunduz, and Taluqan. Program activities also supported the National Land Policy, approved in 2007; helped to streamline land registry offices in 21 provinces, and established a land survey/mapping curriculum at the Kabul Polytechnic University. Cooperation with the Supreme Court streamlined the registration of immovable property from 34 steps to just three for urban land, and four for rural land.

FINANCIAL SERVICES

USAID expands access to financial services by supporting the creation of a sustainable and inclusive financial sector that serves the needs of micro, small, and medium enterprises throughout the country, with a special focus on the agricultural sector and the southern and eastern regions. By September 2010, USAID-funded credit unions disbursed more than 19,000 loans (15 percent to women) in 14 provinces, totaling \$15.3 million, and created more than 26,000 jobs.

CENTRAL BANK REFORM

USAID supports Da Afghanistan Bank (DAB) to build a sound financial system. DAB's sound monetary policy has kept inflation low and the currency stable for eight years. Developing the licensing process and a new banking law led to the establishment of 10 private banks, two state-owned banks, and five foreign bank branches. USAID assisted DAB to fulfill Ministry of Finance requirements by consolidating government accounts across all DAB provincial branches through regular transfers of government revenue to a single account. USAID assisted DAB to modernize, downsize, and enhance branch operations, at its 46 provincial and border branches through improvements to account management, communications, and automated payment. A Core Banking System for better accounting and financial management was installed at the head office and 35 of the 46 branches with more to come.

On behalf of the American people, the U.S. government has provided humanitarian assistance and economic development to those in need around the world since the Marshall Plan.